

Washington State Health Care Authority

**Benefits Administration / Insurance
Accounting System Project
QUALITY ASSURANCE**

Periodic Report
March 1 through April 30, 2007



**STERLING
ASSOCIATES,LLP**

Quality Assurance Findings—*What is...*

◆ Environment

- Through the extensive evaluation process, the Heath Care Authority (HCA) chose a software package that best meets its business needs and is consistent with the state's software application for its Human Resources system. While the SAP software is used for both applications, they will not be integrated and will rely upon separate instances of the software being deployed. While this option allows the state to increase an investment at the state level, the support and integration of each of these pieces is complicated. The state will not see the broader benefits as may be expected until other core functionality is replaced.

◆ Approach

- As planned in the RFP process, HCA is negotiating the integration services contract and the software contract as two separate contracts. HCA plans to sign the two contracts at the same time since each is directly related to the other and both are necessary to provide the business deal proposed in their RFP response. Negotiations are continuing with each of the vendors, although status is different between the two negotiation efforts.
 - Negotiations on the SAP software contract began in early March and have progressed fairly well. Since the contract had been included within the RFP and refined during the BAFO process by each vendor, SAP was aware of the issues introduced by the state and what type of business deal was being proposed. This has helped to facilitate the negotiations. HCA has identified outstanding issues resulting from the negotiations and will define mitigation strategies as needed to address risks.
 - Negotiations with EpiUse are still in progress as well. EpiUse proposed itself as the integrator for the SAP software as well as providing expertise for certain product specific and change management expertise. As described in the RFP response, EpiUse was expected to lead the system development, implementation, and project management efforts for BAIAS. EpiUse would also act as the lead to other sub-contractors identified as part of the system implementation efforts. Following lessons learned from other projects, HCA is working with EpiUse to define the project and change management activities and to develop a comprehensive list of each deliverable, a description of the deliverable, and identification of who is responsible for developing the deliverable. The list of deliverables is expected to map to the initial project plan with some indication of the expertise and level of effort needed to produce each deliverable.

Quality Assurance Findings—*What is...* (continued)

◆ Schedule

- The acquisition phase of the project is extending beyond the estimated completion date due to the ongoing negotiations with the vendors. Meeting the estimated completion date is secondary to having a high quality contract with each vendor. Depending on the completion date, the next phase of the project may not start as quickly as HCA wanted. Regardless of the emphasis on completing the negotiations, HCA still needs to have contracts that provide them with the means to manage project risks successfully while obtaining the products and services needed to meet their business requirements.
- The implementation vendor will be responsible for developing and maintaining an integrated project plan with built in resource levels and dependencies. As noted in the last report, the high level schedule included in the RFP does not seem viable. The project schedule will have to reflect more realistic conditions and provide the Executive Sponsors with the ability to consider the trade-offs required to meet the proposed schedule before approving a baseline schedule.

➤ *See Previous Recommendation #1 in Appendix A*

◆ Expectations

- Expectations about the schedule are of great importance to the project team members but are not going to be met at this point. The HCA expects EpiUse to take the lead during implementation and be responsible for project management and coordinating the work of SAP and any other sub-contractors.
- Stakeholders and users have expected the new system to be implemented by the open enrollment period for June 2009. Given delays in the negotiations, this schedule is at risk. Should the schedule not be met, a structured communication plan will be needed to reset expectations for the system implementation timeline.

Quality Assurance Findings—*What is...* (continued)

◆ Leadership

- The project sponsors, director and manager have exhibited outstanding leadership in their dealings with SAP and EpiUse. In particular, the preparation for negotiations and contract development have required significant effort before and after regular work time, and a quick turnaround of written documents. The efforts of these individuals indicate their personal commitment to the success of the project.

◆ Resources

- Transition from one project manager to another is well underway and going smoothly. The deputy project manager appears to be well equipped to manage the project activities while the current project manager is on a leave of absence.
- The new deputy project manager is focused on planning the physical space needed to house the project staff once the vendor arrives on site. Space adjacent to the current headquarters building has been identified and the physical changes needed to accommodate the project are being identified and secured.
- The project has begun to add resources to support communications and financial management. Since the current workload in the project exceeds the resources available, many of project staff are expending more than full time effort on the work that needs to be accomplished.
- The executives involved in contract negotiations have essentially worked full time on negotiations. As noted in earlier reports, projects of comparable size and complexity have experienced difficulty providing adequate business expertise to respond to the volume of work generated by the project while still maintaining their other duties. It is not too early to discuss this condition and identify any possible mitigation that might lower this risk.

Quality Assurance Findings—*What is...* (continued)

◆ Controls

- Project controls and processes are still under development in preparation for project kick-off and gap analysis. Project staff have not finished identifying how the budget control and reporting tools will be completed or reconciled with the state's Agency Financial Reporting System (AFRS) to provide adequate details, including variances, on project costs.

◆ Communication

- Communication tools with external stakeholders have been developed by the project and the stakeholders themselves. The process and tools can be tested over the next few months to determine their effectiveness.
- As a result of the assessment of project resources, the project will be hiring a full time communication specialist to support the work identified in the revised Communication Plan. Deliverables related to the change management effort are being discussed and will have to be tied to the communication function within the project and reflected in the revised Communication Plan.
 - *See Previous Recommendation #3 in Appendix A*

Quality Assurance Findings—*What is...* (continued)

◆ Credibility and Integrity

- Credibility and integrity with decision makers and stakeholders is high. It appears that the funding requested for the project is provided in full in the biennial budget. While the vendors involved in negotiations are likely frustrated, HCA has been consistent throughout the negotiations process in pursuing the principles expressed in the RFP. Additionally, HCA has taken the time to incorporate the lessons learned from other projects into the approach to managing the BAIAS project.

◆ Commitment

- The personal commitment of the agency executives and the project manager is easily observable. Project participation by staff and stakeholders is consistently high. Without this personal commitment, the negotiations with vendors would not have progressed to the extent they have.

Appendix A - Summary of Recommendations

Quality Assurance Recommendations										
Recommendations		Feb 2006	April 2006	June 2006	Aug 2006	Oct 2006	Dec 2006	Feb 2007	April 2007	Status / Comments
1	Develop a project plan reflecting the assumptions built into the project and the resources available, including major tasks, milestones, decision points, dependencies, schedule and the critical path. Ensure collaboration among all participants to identify dependencies and a reasonable schedule for completion.	☆	➤	➤	➤	➤	➤	➤	➤	In progress. This will be in progress until the gap analysis phase is completed.
2	Clarify roles and responsibilities for project participants and decision-makers that reflects the organization of the project.	☆	➤	➤	✓					Recommendation closed.
3	Revise the communication plan and include identification of specific stakeholder needs, required information, responsibilities for completion, and timing of communication.	☆	➤	➤	➤	➤	➤	➤	➤	No change in status.
.	☆ Recommendation made ✓ Recommendation implemented ➤ In progress ✗ Recommendation not yet implemented									